
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

by Attorney General Wayne Stenehjem's
Consumer Protection and Antitrust Division

March 3, 2004

Preparing For Tax Season – Avoiding Scams

It happens every year – another tax season is upon us. If you are thinking about getting help from a tax preparation service, make sure you know what will be provided and how much it will cost.

Before you visit a tax preparer, read your tax booklet, collect any documents that might apply to your taxes, including last year's return. Check out the qualifications and reputation of the preparer. If you have a complex tax return, the tax payer is ultimately responsible for its accuracy, so be sure to double-check the figures and the social security numbers before the return is filed.

Taxpayers should be very careful when choosing tax preparers. While most preparers provide good service, a few unscrupulous tax preparers file fraudulent tax returns and ultimately defraud their clients. Here are some tips to consider before hiring a tax preparer:

- ❖ Get referrals from satisfied clients.
- ❖ Ask the preparer about their training, experience and current knowledge of tax law.
- ❖ Find out whether the preparer has ever represented taxpayers in an audit, or has ever been denied eligibility to do so.
- ❖ Consider whether the individual or firm will be around to answer questions about the preparation of the tax return months or even years after the return has been filed.

Tax evasion scams, including fraudulent tax return preparation, cost taxpayers billions of dollars every year. Dishonest tax preparers can commit fraud in a number of ways; such as inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. Be sure to watch for any signs that the preparer may be less than honest. Some of the most common signs are:

- ✓ Claiming that they can obtain larger refunds than other preparers.
- ✓ Basing their fee on a percentage of the amount of the refund. Fees should be based on the complexity of the return, never on the size of the tax savings or refund.
- ✓ Claiming they can get you immediate payment of your return. Keep in mind that this is a loan (refund anticipation loan).
- ✓ Refusing to sign the tax return or provide a copy for your records. Always make sure you have something in hand that shows proof of what transpired and you should have a receipt for services rendered.

Remember to review the tax return before signing and ask questions on entries you do not understand. It is important to get a copy for your record once the return is completed and never sign a blank tax form or one that is filled out in pencil.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

* * * * *